

AMENDED IN ASSEMBLY SEPTEMBER 7, 2007

AMENDED IN ASSEMBLY AUGUST 31, 2007

AMENDED IN SENATE MAY 2, 2007

AMENDED IN SENATE APRIL 19, 2007

SENATE BILL

No. 474

Introduced by Senator Kuehl

(Principal coauthor: Senator Ridley-Thomas)

(Coauthor: Senator Romero)

(Coauthors: Assembly Members Dymally, Feuer, and Krekorian)

February 21, 2007

An act to amend Sections 14166.1, 14166.5, 14166.9, 14166.12, 14166.13, 14166.20, 14166.21, and 14166.23 of, and to amend, renumber, and add Section 14166.25 of, the Welfare and Institutions Code, relating to Medi-Cal, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 474, as amended, Kuehl. Medi-Cal: hospital demonstration project funding.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Care Services and under which qualified low-income persons receive health care benefits. The Medi-Cal program is, in part, governed and funded by federal Medicaid provisions.

Existing law establishes the Medi-Cal Hospital/Uninsured Care Demonstration Project Act, which revises hospital reimbursement methodologies under the Medi-Cal program in order to maximize the use of federal funds consistent with federal Medicaid law and stabilize the distribution of funding for hospitals that provide care to Medi-Cal

beneficiaries and uninsured patients. This demonstration project provides for funding, in supplementation of Medi-Cal reimbursement, to various hospitals, including designated public hospitals, nondesignated public hospitals, and private hospitals, as defined, in accordance with certain provisions relating to disproportionate share hospitals. These provisions include a formula for determining baseline funding of these hospitals, and for adjustments to the baseline funding formula.

This bill would modify the formula for calculating a hospital's adjusted baseline funding amount.

Existing law provides for the payment of safety net care pool funds to designated public hospitals, or governmental entities with which they are affiliated, pursuant to the demonstration project. Existing law requires that the department claim safety net care pool funds using the optimal combination of hospital certified public expenditures and certified public expenditures of a hospital that operates nonhospital clinics or provides physician, nonphysician practitioner, or other health care services that are identified as hospital services under the demonstration project.

This bill would require the department to separately identify and account for federal safety net care pool funds claimed and received by the department under a specified health care coverage initiative program.

This bill would also require that \$100,000,000 of the safety net care pool funds claimed and received by the state pursuant to the demonstration project that are based on the certified public expenditures of the County of Los Angeles, or its designated public hospitals, be deposited in the South Los Angeles Medical Services Preservation Fund, which this bill would create in the State Treasury, for each of the 3 project years, 2007–08, 2008–09, and 2009–10, to be continuously appropriated to the department for the purpose of reimbursing the county for its specified costs. The bill would require any unused funds in any project year to revert to the Health Care Support Fund.

Existing law provides for the payment of stabilization funding to certain designated public hospitals, project year private disproportionate share hospitals, and nondesignated public hospitals, as those terms are defined, under the demonstration project.

This bill would make various revisions to the calculation of that stabilization funding.

The bill would require the County of Los Angeles to, as a condition for receiving distributions from the South Los Angeles Medical Services Preservation Fund in any project year, assure the director that it will

not reduce the county's ongoing, systemwide financial contribution to the department during that project year for health care services to the uninsured.

Existing law establishes the continuously appropriated Private Hospital Supplemental Fund, and allows the California Medical Assistance Commission to distribute certain amounts from the fund to private hospitals that satisfy specified criteria.

This bill would require the County of Los Angeles to, for the 2007–08, 2008–09, and 2009–10 project years, make intergovernmental transfers to the state to fund the nonfederal share of increased Medi-Cal payments to those private hospitals that serve the South Los Angeles population formerly served by Los Angeles County Martin Luther King, Jr. - Harbor Hospital. The bill would require the intergovernmental transfers to be funded by county tax revenues and to total \$5,000,000 per project year, subject to specified exceptions. The bill would require these moneys to be deposited in the Private Hospital Supplemental Fund, thus constituting an appropriation, and distributed to the private hospitals designated by the county.

Existing law establishes the Distressed Hospital Fund, and provides for payments from the fund to hospitals that meet specified criteria. Existing law requires, if funding is insufficient to make payments to hospitals pursuant to specified provisions of law, funds in the Distressed Hospital Fund to first be available for use under contracts negotiated by the commission for hospitals contracting under a specified selective provider contracting program.

This bill would prohibit the commission from considering the lack of federal financial participation in direct grants to designated public hospitals in determining which hospital may receive funding under these provisions.

Vote: majority. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 14166.1 of the Welfare and Institutions
- 2 Code is amended to read:
- 3 14166.1. For purposes of this article, the following definitions
- 4 shall apply:
- 5 (a) "Allowable costs" means those costs recognized as allowable
- 6 under Medicare reasonable cost principles and additional costs

1 recognized under the demonstration project, including those
2 expenditures identified in Appendix D to the Special Terms and
3 Conditions for the demonstration project. Allowable costs under
4 this subdivision shall be determined in accordance with the Special
5 Terms and Conditions for the demonstration project and
6 demonstration project implementation documents approved by the
7 federal Centers for Medicare and Medicaid Services.

8 (b) “Base year private DSH hospital” means a nonpublic
9 hospital, nonpublic-converted hospital, or converted hospital, as
10 those terms are defined in paragraphs (26), (27), and (28),
11 respectively, of subdivision (a) of Section 14105.98, that was an
12 eligible hospital under paragraph (3) of subdivision (a) of Section
13 14105.98 for the 2004–05 state fiscal year.

14 (c) “Demonstration project” means the Medi-Cal
15 Hospital/Uninsured Care Demonstration, Number 11-W-00193/9,
16 as approved by the federal Centers for Medicare and Medicaid
17 Services.

18 (d) “Designated public hospital” means any one of the following
19 22 hospitals identified in Attachment C, “Government-operated
20 Hospitals to be Reimbursed on a Certified Public Expenditure
21 Basis,” to the Special Terms and Conditions for the demonstration
22 project issued by the federal Centers for Medicare and Medicaid
23 Services:

- 24 (1) UC Davis Medical Center.
- 25 (2) UC Irvine Medical Center.
- 26 (3) UC San Diego Medical Center.
- 27 (4) UC San Francisco Medical Center.
- 28 (5) UC Los Angeles Medical Center, including Santa
29 Monica/UCLA Medical Center.
- 30 (6) LA County Harbor/UCLA Medical Center.
- 31 (7) LA County Martin Luther King Jr.-Harbor Hospital.
- 32 (8) LA County Olive View UCLA Medical Center.
- 33 (9) LA County Rancho Los Amigos National Rehabilitation
34 Center.
- 35 (10) LA County University of Southern California Medical
36 Center.
- 37 (11) Alameda County Medical Center.
- 38 (12) Arrowhead Regional Medical Center.
- 39 (13) Contra Costa Regional Medical Center.
- 40 (14) Kern Medical Center.

- 1 (15) Natividad Medical Center.
- 2 (16) Riverside County Regional Medical Center.
- 3 (17) San Francisco General Hospital.
- 4 (18) San Joaquin General Hospital.
- 5 (19) San Mateo Medical Center.
- 6 (20) Santa Clara Valley Medical Center.
- 7 (21) Tuolumne General Hospital.
- 8 (22) Ventura County Medical Center.

9 (e) “Federal medical assistance percentage” means the federal
10 medical assistance percentage applicable for federal financial
11 participation purposes for medical services under the Medi-Cal
12 state plan pursuant to Section 1396b(a) of Title 42 of the United
13 States Code.

14 (f) “Nondesignated public hospital” means a public hospital
15 defined in paragraph (25) of subdivision (a) of Section 14105.98,
16 excluding designated public hospitals.

17 (g) “Project year” means the applicable state fiscal year of the
18 Medi-Cal Hospital/Uninsured Care Demonstration Project.

19 (h) “Project year private DSH hospital” means a nonpublic
20 hospital, nonpublic-converted hospital, or converted hospital, as
21 those terms are defined in paragraphs (26), (27), and (28),
22 respectively, of subdivision (a) of Section 14105.98, that was an
23 eligible hospital under paragraph (3) of subdivision (a) of Section
24 14105.98, for the particular project year.

25 (i) “Prior supplemental funds” means the Emergency Services
26 and Supplemental Payment Fund, the Medi-Cal Medical Education
27 Supplemental Payment Fund, the Large Teaching Emphasis
28 Hospital and Children’s Hospital Medi-Cal Medical Education
29 Supplemental Payment Fund, and the Small and Rural Hospital
30 Supplemental Payments Fund, established under Sections 14085.6,
31 14085.7, 14085.8, and 14085.9, respectively.

32 (j) “Private hospital” means a nonpublic hospital, nonpublic
33 converted hospital, or converted hospital, as those terms are defined
34 in paragraphs (26) to (28), inclusive, respectively, of subdivision
35 (a) of Section 14105.98.

36 (k) “Safety net care pool” means the federal funds available
37 under the Medi-Cal Hospital/Uninsured Care Demonstration
38 Project to ensure continued government support for the provision
39 of health care services to uninsured populations.

1 (l) “Uninsured” shall have the same meaning as that term has
2 in the Special Terms and Conditions issued by the federal Centers
3 for Medicare and Medicaid Services for the demonstration project.

4 SEC. 2. Section 14166.5 of the Welfare and Institutions Code
5 is amended to read:

6 14166.5. (a) With respect to each project year, the director
7 shall determine a baseline funding amount for each designated
8 public hospital. A hospital’s baseline funding amount shall be an
9 amount equal to the total amount paid to the hospital for inpatient
10 hospital services rendered to Medi-Cal beneficiaries during the
11 2004–05 fiscal year, including the following Medi-Cal payments,
12 but excluding payments received under the Medi-Cal Specialty
13 Mental Health Services Consolidation Program:

14 (1) Base payments under the selective provider contracting
15 program as provided for under Article 2.6 (commencing with
16 Section 14081).

17 (2) Emergency Services and Supplemental Payments Fund
18 payments as provided for under Section 14085.6.

19 (3) Medi-Cal Medical Education Supplemental Payment Fund
20 payments and Large Teaching Emphasis Hospital and Children’s
21 Hospital Medi-Cal Medical Education Supplemental Payment
22 Fund payments as provided for under Sections 14085.7 and
23 14085.8, respectively.

24 (4) Disproportionate share hospital payment adjustments as
25 provided for under Section 14105.98.

26 (5) Administrative day payments as provided for under Section
27 51542 of Title 22 of the California Code of Regulations.

28 (b) The baseline funding amount for each designated public
29 hospital shall reflect a reduction for the total amount of
30 intergovernmental transfers made pursuant to Sections 14085.6,
31 14085.7, 14085.8, 14085.9, and 14163 for the 2004–05 state fiscal
32 year by the designated public hospital, or the governmental entity
33 with which it is affiliated.

34 (c) With respect to each project year beginning after the 2005–06
35 project year, the department shall determine an adjusted baseline
36 funding amount for each designated public hospital to reflect any
37 increase or decrease in volume. The adjustment for designated
38 public hospitals shall be calculated as follows:

39 (1) Applying the cost-finding methodology approved under the
40 demonstration project, and applying accounting and reporting

1 practices consistent with those applied in paragraph (2), the
2 department shall determine the total allowable costs incurred by
3 the hospital, or the governmental entity with which it is affiliated,
4 in rendering hospital services that would be recognized under the
5 demonstration project to Medi-Cal beneficiaries and the uninsured
6 during the 2004–05 state fiscal year.

7 (2) Applying the cost-finding methodology approved under the
8 demonstration project, and applying accounting and reporting
9 practices consistent with those applied in paragraph (1), the
10 department shall determine the total allowable costs incurred by
11 the hospital, or the governmental entity with which it is affiliated,
12 in rendering hospital services under the demonstration project to
13 Medi-Cal beneficiaries and the uninsured during the state fiscal
14 year preceding the project year for which the volume adjustment
15 is being calculated.

16 (3) The department shall:

17 (A) Calculate the difference between the amount determined
18 under paragraph (1) and the amount determined under paragraph
19 (2).

20 (B) Determine the percentage increase or decrease by dividing
21 the difference in subparagraph (A) by the amount in paragraph
22 (1).

23 (C) Apply the percentage determined in subparagraph (B) to
24 that amount that results from the hospital's baseline funding
25 amount determined under subdivision (a) as adjusted by subdivision
26 (b), except for the reduction for the amount of intergovernmental
27 transfers made pursuant to Section 14163, minus the amount of
28 disproportionate share hospital payments in paragraph (4) of
29 subdivision (a).

30 (4) The designated public hospital's adjusted baseline for the
31 project year is the amount determined for the hospital in
32 subdivision (a) as adjusted by subdivision (b), plus the amount in
33 subparagraph (C) of paragraph (3).

34 (5) Notwithstanding paragraphs (3) and (4), when, as determined
35 by the department, in consultation with the designated public
36 hospital, there has been a material reduction in patient services at
37 the designated public hospital during the project year, and the
38 reduction has resulted in a diminution of access for Medi-Cal and
39 uninsured patients and a related reduction in total costs at the
40 designated public hospital of at least 20 percent, the department

1 may utilize current or adjusted data that are reflective of the
2 diminution of access, even if the data are not annual data, to
3 determine the hospital's adjusted baseline amount.

4 (d) The aggregate designated public hospital baseline funding
5 amount for each project year shall be the sum of all baseline
6 funding amounts determined under subdivisions (a) and (b), as
7 adjusted in subdivision (c), as appropriate, for all designated public
8 hospitals.

9 (e) (1) If, with respect to any project year, the difference
10 between the percentage adjustment in subparagraph (B) of
11 paragraph (3) of subdivision (c) of this section, computed in the
12 aggregate for designated public hospitals, excluding the percentage
13 adjustment for any designated public hospital that was not in
14 operation for the full project year, is greater than five percentage
15 points more than the aggregate percentage adjustment for private
16 DSH hospitals determined under subparagraph (B) of paragraph
17 (3) of subdivision (c) of Section 14166.13, then the aggregate
18 percentage adjustment for designated public hospitals shall be
19 reduced in the amount necessary to reduce the difference to five
20 percentage points. The reduction required by the previous sentence
21 shall be allocated among designated public hospitals pro rata based
22 on the relationship between each hospital's percentage determined
23 under subparagraph (B) of paragraph (3) of subdivision (c) of this
24 section and the aggregate percentage for designated public
25 hospitals.

26 (2) Notwithstanding paragraph (1), the department may apply
27 the adjustments set forth in paragraph (5) of subdivision (c).

28 SEC. 3. Section 14166.9 of the Welfare and Institutions Code
29 is amended to read:

30 14166.9. (a) The department, in consultation with the
31 designated public hospitals, shall determine the mix of sources of
32 federal funds for payments to the designated public hospitals in a
33 manner that provides baseline funding to hospitals and maximizes
34 federal Medicaid funding to the state during the term of the
35 demonstration project. Federal funds shall be claimed according
36 to the following priorities:

37 (1) The certified public expenditures of the designated public
38 hospitals for inpatient hospital services and physician and
39 nonphysician practitioner services, as identified in subdivision (e)
40 of Section 14166.4, rendered to Medi-Cal beneficiaries.

1 (2) Federal disproportionate share hospital allotment, subject
2 to the federal-hospital specific limit, in the following order:

3 (A) Those hospital expenditures that are eligible for federal
4 financial participation only from the federal disproportionate share
5 hospital allotment.

6 (B) Payments funded with intergovernmental transfers,
7 consistent with the requirements of the demonstration project, up
8 to the hospital's baseline funding amount or adjusted baseline
9 funding amount, as appropriate, for the project year.

10 (C) Any other certified public expenditures for hospital services
11 that are eligible for federal financial participation from the federal
12 disproportionate share hospital allotment.

13 (3) Safety net care pool funds, using the optimal combination
14 of hospital certified public expenditures and certified public
15 expenditures of a hospital, or governmental entity with which the
16 hospital is affiliated, that operates nonhospital clinics or provides
17 physician, nonphysician practitioner, or other health care services
18 that are not identified as hospital services under the Special Terms
19 and Conditions for the demonstration project, except that certified
20 public expenditures reported by the County of Los Angeles or its
21 designated public hospitals shall be the exclusive source of certified
22 public expenditures for claiming those federal funds deposited in
23 the South Los Angeles Medical Services Preservation Fund under
24 Section 14166.25.

25 (4) Health care expenditures of the state that represent alternate
26 state funding mechanisms approved by the federal Centers for
27 Medicare and Medicaid Services under the demonstration project
28 as set forth in Section 14166.22.

29 (b) The department shall implement these priorities, to the extent
30 possible, in a manner that minimizes the redistribution of federal
31 funds that are based on the certified public expenditures of the
32 designated public hospitals.

33 (c) The department may adjust the claiming priorities to the
34 extent that these adjustments result in additional federal Medicaid
35 funding during the term of the demonstration project or facilitate
36 the objectives of subdivision (b).

37 (d) There is hereby established in the State Treasury the
38 "Demonstration Disproportionate Share Hospital Fund," consisting
39 of all federal funds received by the department with respect to the
40 certified public expenditures claimed pursuant to subparagraphs

(A) and (C) of paragraph (2) of subdivision (a). Notwithstanding Section 13340 of the Government Code, the fund shall be continuously appropriated to the department solely for the purposes specified in Section 14166.6.

(e) (1) Except as provided in Section 14166.25, all federal safety net care pool funds claimed and received by the department based on health care expenditures incurred by the designated public hospitals, or other governmental entities, shall be deposited in the Health Care Support Fund, established pursuant to Section 14166.21.

(2) The department shall separately identify and account for federal safety net care pool funds claimed and received by the department under the health care coverage initiative program authorized under Part 3.5 (commencing with Section 15900) and under paragraphs 43 and 44 of the Special Terms and Conditions for the demonstration project.

(3) With respect to those funds identified under paragraph (2), the department shall separately identify and account for federal safety net care pool funds claimed and received for inpatient hospital services rendered under the health care coverage initiative, including services rendered to enrollees of a managed care organization, by designated public hospitals, nondesignated public hospitals, and project year private DSH hospitals.

SEC. 4. Section 14166.12 of the Welfare and Institutions Code is amended to read:

14166.12. (a) The California Medical Assistance Commission shall negotiate payment amounts, in accordance with the selective provider contracting program established pursuant to Article 2.6 (commencing with Section 14081), from the Private Hospital Supplemental Fund established pursuant to subdivision (b) for distribution to private hospitals that satisfy the criteria of Section 14085.6, 14085.7, 14085.8, or 14085.9.

(b) The Private Hospital Supplemental Fund is hereby established in the State Treasury. For purposes of this section, “fund” means the Private Hospital Supplemental Fund.

(c) Notwithstanding Section 13340 of the Government Code, the fund shall be continuously appropriated to the department for the purposes specified in this section.

(d) Except as otherwise limited by this section, the fund shall consist of all of the following:

1 (1) One hundred eighteen million four hundred thousand dollars
2 (\$118,400,000), which shall be transferred annually from General
3 Fund amounts appropriated in the annual Budget Act for the
4 Medi-Cal program.

5 (2) Any additional moneys appropriated to the fund.

6 (3) All stabilization funding transferred to the fund pursuant to
7 paragraph (2) of subdivision (a) of Section 14166.14.

8 (4) Any moneys that any county, other political subdivision of
9 the state, or other governmental entity in the state may elect to
10 transfer to the department for deposit into the fund, as permitted
11 under Section 433.51 of Title 42 of the Code of Federal Regulations
12 or any other applicable federal Medicaid laws.

13 (5) All private moneys donated by private individuals or entities
14 to the department for deposit in the fund as permitted under
15 applicable federal Medicaid laws.

16 (6) Any interest that accrues on amounts in the fund.

17 (e) Any public agency transferring moneys to the fund may, for
18 that purpose, utilize any revenues, grants, or allocations received
19 from the state for health care programs or purposes, unless
20 otherwise prohibited by law. A public agency may also utilize its
21 general funds or any other public moneys or revenues for purposes
22 of transfers to the fund, unless otherwise prohibited by law.

23 (f) The department may accept or not accept moneys offered to
24 the department for deposit in the fund. If the department accepts
25 moneys pursuant to this section, the department shall obtain federal
26 financial participation to the full extent permitted by law. With
27 respect to funds transferred or donated from private individuals or
28 entities, the department shall accept only those funds that are
29 certified by the transferring or donating entity that qualify for
30 federal financial participation under the terms of the Medicaid
31 Voluntary Contribution and Provider-Specific Tax Amendments
32 of 1991 (P.L. 102-234) or Section 433.51 of Title 42 of the Code
33 of Federal Regulations, as applicable. The department may return
34 any funds transferred or donated in error.

35 (g) Moneys in the fund shall be used as the source for the
36 nonfederal share of payments to hospitals under this section.

37 (h) Any funds remaining in the fund at the end of a fiscal year
38 shall be carried forward for use in the following fiscal year.

39 (i) Moneys shall be allocated from the fund by the department
40 and shall be applied to obtain federal financial participation in

1 accordance with customary Medi-Cal accounting procedures for
2 purposes of payments under this section. Distributions from the
3 fund shall be supplemental to any other Medi-Cal reimbursement
4 received by the hospitals, including amounts that hospitals receive
5 under the selective provider contracting program (Article 2.6
6 (commencing with Section 14081)), and shall not affect provider
7 rates paid under the selective provider contracting program.

8 (j) Each private hospital that was a private hospital during the
9 2002–03 fiscal year, received payments for the 2002–03 fiscal
10 year from any of the prior supplemental funds, and, during the
11 project year, satisfies the criteria in Section 14085.6, 14085.7,
12 14085.8, or 14085.9 to be eligible to negotiate for distributions
13 under any of those sections, shall receive no less from the Private
14 Hospital Supplemental Fund for the project year than 100 percent
15 of the amount the hospital received from the prior supplemental
16 funds for the 2002–03 fiscal year. Each private hospital described
17 in this subdivision shall be eligible for additional payments from
18 the fund pursuant to subdivision (k).

19 (k) All amounts that are in the fund for a project year in excess
20 of the amount necessary to make the payments under subdivision
21 (j) shall be available for negotiation by the California Medical
22 Assistance Commission, along with corresponding federal financial
23 participation, for supplemental payments to private hospitals, which
24 for the project year satisfy the criteria under Section 14085.6,
25 14085.7, 14085.8, or 14085.9 to be eligible to negotiate for
26 distributions under any of those sections, and paid for services
27 rendered during the project year pursuant to the selective provider
28 contracting program established under Article 2.6 (commencing
29 with Section 14081).

30 (l) The amount of any stabilization funding transferred to the
31 fund, or the amount of intergovernmental transfers deposited to
32 the fund pursuant to subdivision (o), together with the associated
33 federal reimbursement, with respect to a particular project year,
34 may, in the discretion of the California Medical Assistance
35 Commission, be paid for services furnished in the same project
36 year regardless of when the stabilization funds or intergovernmental
37 transfer funds, and the associated federal reimbursement, become
38 available, provided the payment is consistent with other applicable
39 federal or state law requirements and does not result in a hospital
40 exceeding any applicable reimbursement limitations.

1 (m) The department shall pay amounts due to a private hospital
2 from the fund for a project year, with the exception of stabilization
3 funding, in up to four installment payments, unless otherwise
4 provided in the hospital's contract negotiated with the California
5 Medical Assistance Commission, except that hospitals that are not
6 described in subdivision (j) shall not receive the first installment
7 payment. The first payment shall be made as soon as practicable
8 after the issuance of the tentative disproportionate share hospital
9 list for the project year, and in no event later than January 1 of the
10 project year. The second and subsequent payments shall be made
11 after the issuance of the final disproportionate hospital list for the
12 project year, and shall be made only to hospitals that are on the
13 final disproportionate share hospital list for the project year. The
14 second payment shall be made by February 1 of the project year
15 or as soon as practicable after the issuance of the final
16 disproportionate share hospital list for the project year. The third
17 payment, if scheduled, shall be made by April 1 of the project year.
18 The fourth payment, if scheduled, shall be made by June 30 of the
19 project year. This subdivision does not apply to hospitals that are
20 scheduled to receive payments from the fund because they meet
21 the criteria under Section 14085.7 and do not meet the criteria
22 under Section 14085.6, 14085.8, or 14085.9, which shall be paid
23 in accordance with the applicable contract or contract amendment
24 negotiated by the California Medical Assistance Commission.

25 (n) The department shall pay stabilization funding transferred
26 to the fund in amounts negotiated by the California Medical
27 Assistance Commission and shall pay the scheduled payments in
28 accordance with the applicable contract or contract amendment.

29 (o) Payments to private hospitals that are eligible to receive
30 payments pursuant to Section 14085.6, 14085.7, 14085.8, or
31 14085.9 may be made using funds transferred from governmental
32 entities to the state, at the option of the governmental entity. Any
33 payments funded by intergovernmental transfers shall remain with
34 the private hospital and shall not be transferred back to any unit
35 of government. An amount equal to 25 percent of the amount of
36 any intergovernmental transfer made in the project year that results
37 in a supplemental payment made for the same project year to a
38 project year private DSH hospital designated by the governmental
39 entity that made the intergovernmental transfer shall be deposited
40 in the fund for distribution as determined by the California Medical

1 Assistance Commission. An amount equal to 75 percent shall be
2 deposited in the fund and distributed to the private hospitals
3 designated by the governmental entity.

4 (p) A private hospital that receives payment pursuant to this
5 section for a particular project year shall not submit a notice for
6 the termination of its participation in the selective provider
7 contracting program established pursuant to Article 2.6
8 (commencing with Section 14081) until the later of the following
9 dates:

10 (1) On or after December 31 of the next project year.

11 (2) The date specified in the hospital's contract, if applicable.

12 (q) (1) For the 2007–08, 2008–09, and 2009–10 project years,
13 the County of Los Angeles shall make intergovernmental transfers
14 to the state to fund the nonfederal share of increased Medi-Cal
15 payments to those private hospitals that serve the South Los
16 Angeles population formerly served by Los Angeles County Martin
17 Luther King, Jr.-Harbor Hospital. The intergovernmental transfers
18 required under this subdivision shall be funded by county tax
19 revenues and shall total five million dollars (\$5,000,000) per
20 project year, except that, in the event that the director determines
21 that any amount is due to the County of Los Angeles under the
22 demonstration project for services rendered during the portion of
23 a project year during which Los Angeles County Martin Luther
24 King, Jr.-Harbor Hospital was operational, the amount of
25 intergovernmental transfers required under this subdivision shall
26 be reduced by a percentage determined by reducing 100 percent
27 by the percentage reduction in Los Angeles County Martin Luther
28 King, Jr.-Harbor Hospital's baseline, as determined under
29 subdivision (c) of Section 14166.5 for that project year.

30 (2) Notwithstanding subdivision (o), an amount equal to 100
31 percent of the county's intergovernmental transfers under this
32 subdivision shall be deposited in the fund and ~~distributed~~, *within*
33 *30 days after receipt of the intergovernmental transfer, shall be*
34 *distributed, together with related federal financial participation,*
35 *to the private hospitals designated by the county in the amounts*
36 *designated by the county. The director shall disregard amounts*
37 *received pursuant to this subdivision in calculating the OBRA*
38 *1993 payment limitation, as defined in paragraph (24) of*
39 *subdivision (a) of Section 14105.98, for purposes of determining*

1 *the amount of disproportionate share hospital replacement*
2 *payments due a private hospital under Section 14166.11.*

3 SEC. 5. Section 14166.13 of the Welfare and Institutions Code
4 is amended to read:

5 14166.13. (a) With respect to each project year, the director
6 shall determine a baseline funding amount for each base year
7 private DSH hospital that is also a project year private DSH
8 hospital. A private hospital's baseline funding amount shall be an
9 amount equal to the total amount paid to the hospital for inpatient
10 hospital services rendered to Medi-Cal beneficiaries during the
11 2004–05 state fiscal year, including the following Medi-Cal
12 payments, but excluding payments received under the Medi-Cal
13 Specialty Mental Health Services Consolidation Program:

14 (1) Base payments under the selective provider contracting
15 program as provided for under Article 2.6 (commencing with
16 Section 14081), or under the Medi-Cal state plan cost
17 reimbursement system for inpatient hospital services for
18 noncontracting hospitals.

19 (2) Emergency Services and Supplemental Payments Fund
20 payments as provided for under Section 14085.6.

21 (3) Medi-Cal Medical Education Supplemental Payment Fund
22 payments and Large Teaching Emphasis Hospital and Children's
23 Hospital Medi-Cal Medical Education Supplemental Payment
24 Fund payments as provided for under Sections 14085.7 and
25 14085.8, respectively.

26 (4) Small and Rural Hospital Supplemental Payments Fund
27 payments as provided for under Section 14085.9.

28 (5) Disproportionate share hospital payment adjustments as
29 provided for under Section 14105.98.

30 (6) Administrative day payments as provided for under Section
31 51542 of Title 22 of the California Code of Regulations.

32 (b) The aggregate project year private DSH hospital baseline
33 funding amount shall be the sum of all baseline funding amounts
34 determined under subdivision (a).

35 (c) With respect to each project year beginning after the 2005–06
36 project year, an aggregate project year private DSH hospital
37 adjusted baseline funding amount shall be determined as follows:

38 (1) The department shall determine the aggregate total Medi-Cal
39 revenue, using amounts determined under subdivision (a), for
40 inpatient hospital services rendered during the 2004–05 fiscal year

1 for project year private DSH hospitals, less the total amount of
2 disproportionate share hospital payments identified in paragraph
3 (5) of subdivision (a) for those hospitals.

4 (2) The department shall determine the aggregate total Medi-Cal
5 revenue paid or payable for inpatient hospital services rendered
6 during the fiscal year immediately preceding the project year for
7 which the private hospital adjusted baseline funding amount is
8 being calculated for project year private DSH hospitals. The
9 aggregate total revenue for services rendered in the relevant
10 preceding fiscal year shall include the payments described in
11 paragraphs (1) and (6) of subdivision (a), and all other payments
12 made to project year private DSH hospitals under this article,
13 excluding disproportionate share hospital replacement payments
14 made under Section 14166.11, stabilization funding under Section
15 14166.14, and distressed hospital funding under Section 14166.23
16 and paragraph (3) of subdivision (b) of Section 14166.20.

17 (3) The department shall:

18 (A) Calculate the difference between the amount determined
19 under paragraph (1) and the amount determined under paragraph
20 (2).

21 (B) Determine the percentage increase or decrease by dividing
22 the difference in subparagraph (A) by the amount in paragraph
23 (1).

24 (C) Apply the percentage in subparagraph (B) to the amount
25 determined under paragraph (1).

26 (4) The aggregate private DSH hospital adjusted baseline
27 funding amount is the amount determined in paragraph (1), plus
28 the amount determined in subparagraph (C), plus the amount in
29 paragraph (5) of subdivision (a).

30 (d) If, with respect to any project year, the difference between
31 the percentage adjustment in subparagraph (B) of paragraph (3)
32 of subdivision (c) of this section is greater than five percentage
33 points more than the aggregate percentage adjustment for
34 designated public hospitals, excluding the percentage adjustment
35 for any designated public hospital that was not in operation for the
36 full project year, determined under subparagraph (B) of paragraph
37 (3) of subdivision (c) of Section 14166.5, then the aggregate
38 percentage adjustment for private DSH hospitals shall be reduced
39 in the amount necessary to reduce the difference to five percentage
40 points.

1 SEC. 6. Section 14166.20 of the Welfare and Institutions Code
2 is amended to read:

3 14166.20. (a) With respect to each project year, the total
4 amount of stabilization funding shall be the sum of the following:

5 (1) (A) Federal Medicaid funds available in the Health Care
6 Support Fund, established pursuant to Section 14166.21, reduced
7 by the amount necessary to meet the baseline funding amount, or
8 the adjusted baseline funding amount, as appropriate, for project
9 years after the 2005–06 project year for each designated public
10 hospital, project year private DSH hospitals in the aggregate, and
11 nondesignated public hospitals in the aggregate as determined in
12 Sections 14166.5, 14166.13, and 14166.18, respectively, taking
13 into account all other payments to each hospital under this article.
14 This amount shall be not less than zero.

15 (B) For purposes of subparagraph (A), federal Medicaid funds
16 available in the Health Care Support Fund shall not include health
17 care coverage initiative amounts identified under paragraph (2) of
18 subdivision (e) of Section 14166.9.

19 (2) The state general funds that were made available due to the
20 receipt of federal funding for previously state-funded programs
21 through the safety net care pool and any federal Medicaid hospital
22 reimbursements resulting from these expenditures, unless otherwise
23 recognized under paragraph (1), to the extent those funds are in
24 excess of the amount necessary to meet the baseline funding
25 amount, or the adjusted baseline funding amount, as appropriate,
26 for project years after the 2005–06 project year for each designated
27 public hospital, for project year private DSH hospitals in the
28 aggregate, and for nondesignated public hospitals in the aggregate,
29 as determined in Sections 14166.5, 14166.13, and 14166.18,
30 respectively.

31 (3) To the extent not included in paragraph (1) or (2), the amount
32 of the increase in state General Fund expenditures for Medi-Cal
33 inpatient hospital services for the project year for project year
34 private DSH hospitals and nondesignated public hospitals,
35 including amounts expended in accordance with paragraph (1) of
36 subdivision (c) of Section 14166.23, that exceeds the expenditure
37 amount for the same purpose and the same hospitals necessary to
38 provide the aggregate baseline funding amounts applicable to the
39 project determined pursuant to Sections 14166.13 and 14166.18,

1 and any direct grants to designated public hospitals for services
2 under the demonstration project.

3 (4) To the extent not included in paragraph (2), federal Medicaid
4 funds received by the state as a result of the General Fund
5 expenditures described in paragraph (3).

6 (5) The federal Medicaid funds received by the state as a result
7 of federal financial participation with respect to Medi-Cal payments
8 for inpatient hospital services made to project year private DSH
9 hospitals and to nondesignated public hospitals for services
10 rendered during the project year, the state share of which was
11 derived from intergovernmental transfers or certified public
12 expenditures of any public entity that does not own or operate a
13 public hospital.

14 (6) Federal safety net care pool funds claimed and received for
15 inpatient hospital services rendered under the health care coverage
16 initiative identified under paragraph (3) of subdivision (e) of
17 Section 14166.9.

18 (b) With respect to the 2005–06, 2006–07, and subsequent
19 project years, the stabilization funding determined under
20 subdivision (a) shall be allocated as follows:

21 (1) Eight million dollars (\$8,000,000) shall be paid to San Mateo
22 Medical Center. All or a portion of this amount may be paid as
23 disproportionate share hospital payments in addition to the
24 hospital's allocation that would otherwise be determined under
25 Section 14166.6. The amount provided for in this paragraph shall
26 be disregarded in the application of the limitations described in
27 paragraph (3) of subdivision (a) of Section 14166.6, and in
28 paragraph (1) of subdivision (a) of Section 14166.7.

29 (2) (A) Ninety-six million two hundred twenty-eight thousand
30 dollars (\$96,228,000) shall be allocated to designated public
31 hospitals to be paid in accordance with Section 14166.75.

32 (B) Forty-two million two hundred twenty-eight thousand dollars
33 (\$42,228,000) shall be allocated to private DSH hospitals to be
34 paid in accordance with Section 14166.14.

35 (C) Five hundred forty-four thousand dollars (\$544,000) shall
36 be allocated to nondesignated public hospitals to be paid in
37 accordance with Section 14166.17.

38 (D) In the event that stabilization funding is less than one
39 hundred forty-seven million dollars (\$147,000,000), the amounts
40 allocated to designated public hospitals, private DSH hospitals,

1 and nondesignated public hospitals under this paragraph shall be
2 reduced proportionately.

3 (3) An amount equal to the lesser of 10 percent of the total
4 amount determined under subdivision (a) or twenty-three million
5 five hundred thousand dollars (\$23,500,000), but at least fifteen
6 million three hundred thousand dollars (\$15,300,000), shall be
7 made available for additional payments to distressed hospitals that
8 participate in the selective provider contracting program under
9 Article 2.6 (commencing with Section 14081), including designated
10 public hospitals, in amounts to be determined by the California
11 Medical Assistance Commission. The additional payments to
12 designated public hospitals shall be negotiated by the California
13 Medical Assistance Commission, but shall be paid by the
14 department in the form of a direct grant rather than as Medi-Cal
15 payments.

16 (4) An amount equal to 0.64 percent of the total amount
17 determined under subdivision (a), to nondesignated public hospitals
18 to be paid in accordance with Section 14166.19.

19 (5) The amount remaining after subtracting the amount
20 determined in paragraphs (1) to (4), inclusive, shall be allocated
21 as follows:

22 (A) Sixty percent to designated public hospitals to be paid in
23 accordance with Section 14166.75.

24 (B) Forty percent to project year private DSH hospitals to be
25 paid in accordance with Section 14166.14.

26 (c) By April 1 of the year following the project year for which
27 the payment is made, and after taking into account final amounts
28 otherwise paid or payable to hospitals under this article, the director
29 shall calculate in accordance with subdivision (a), allocate in
30 accordance with subdivision (b), and pay to hospitals in accordance
31 with Sections 14166.75, 14166.14, and 14166.19, as applicable,
32 the stabilization funding.

33 (d) For purposes of determining amounts paid or payable to
34 hospitals under subdivision (c), the department shall apply the
35 following:

36 (1) In determining amounts paid or payable to designated public
37 hospitals that are based on allowable costs incurred by the hospital,
38 or the governmental entity with which it is affiliated, the following
39 shall apply:

1 (A) If the final payment amount is based on the hospital's
2 Medicare cost report, the department shall rely on the cost report
3 filed with the Medicare fiscal intermediary for the project year for
4 which the calculation is made, reduced by a percentage that
5 represents the average percentage change from total reported costs
6 to final costs for the three most recent cost reporting periods for
7 which final determinations have been made, taking into account
8 all administrative and judicial appeals. Protested amounts shall
9 not be considered in determining the average percentage change
10 unless the same or similar costs are included in the project year
11 cost report.

12 (B) If the final payment amount is based on costs not included
13 in subparagraph (A), the reported costs as of the date the
14 determination is made under subdivision (c), shall be reduced by
15 10 percent.

16 (C) In addition to adjustments required in subparagraphs (A)
17 and (B), the department shall adjust amounts paid or payable to
18 designated public hospitals by any applicable deferrals or
19 disallowances identified by the federal Centers for Medicare and
20 Medicaid Services as of the date the determination is made under
21 subdivision (c) not otherwise reflected in subparagraphs (A) and
22 (B).

23 (2) Amounts paid or payable to project year private DSH
24 hospitals and nondesignated public hospitals shall be determined
25 by the most recently available Medi-Cal paid claims data increased
26 by a percentage to reflect an estimate of amounts remaining unpaid.

27 (e) The department shall consult with hospital representatives
28 regarding the appropriate calculation of stabilization funding before
29 stabilization funds are paid to hospitals. The calculation may be
30 comprised of multiple steps involving interim computations and
31 assumptions as may be necessary to determine the total amount
32 of stabilization funding under subdivision (a) and the allocations
33 under subdivision (b). No later than 30 days after this consultation,
34 the department shall establish a final determination of stabilization
35 funding that shall not be modified for any reason other than
36 mathematical errors or mathematical omissions on the part of the
37 department.

38 (f) The department shall distribute 75 percent of the estimated
39 stabilization funding on an interim basis throughout the project
40 year.

1 (g) The allocation and payment of stabilization funding shall
2 not reduce the amount otherwise paid or payable to a hospital under
3 this article or any other provision of law, unless the reduction is
4 required by the demonstration project's Special Terms and
5 Conditions or by federal law.

6 SEC. 7. Section 14166.21 of the Welfare and Institutions Code
7 is amended to read:

8 14166.21. (a) The Health Care Support Fund is hereby
9 established in the State Treasury. Notwithstanding Section 13340
10 of the Government Code, the fund shall be continuously
11 appropriated to the department for the purposes specified in this
12 article. The fund shall include any interest that accrues on amounts
13 in the fund.

14 (b) Amounts in the Health Care Support Fund shall be paid in
15 the following order of priority:

16 (1) To hospitals for services rendered to Medi-Cal beneficiaries
17 and the uninsured in an amount necessary to meet the aggregate
18 baseline funding amount, or the adjusted aggregate baseline
19 funding amount for project years after the 2005-06 project year,
20 as specified in subdivision (d) of Section 14166.5, subdivision (b)
21 of Section 14166.13, and Section 14166.18, taking into account
22 all other payments to each hospital under this article, except
23 payments made from the Distressed Hospital Fund pursuant to
24 Section 14166.23 and payments made to distressed hospitals
25 pursuant to paragraph (3) of subdivision (b) of Section 14166.20.
26 If the amount in the Health Care Support Fund is inadequate to
27 provide full aggregate baseline funding, or adjusted aggregate
28 baseline funding, to all designated public hospitals, project year
29 private DSH hospitals, and nondesignated public hospitals, each
30 group's payments shall be reduced pro rata.

31 (2) To the extent necessary to maximize federal funding under
32 the demonstration project and consistent with Section 14166.22,
33 the department may claim safety net care pool funds based on
34 health care expenditures incurred by the department for
35 uncompensated medical care costs of medical services provided
36 to uninsured individuals, as approved by the federal Centers for
37 Medicare and Medicaid Services.

38 (3) Stabilization funding, allocated and paid in accordance with
39 Sections 14166.75, 14166.14, and 14166.19, and paragraph (3) of
40 subdivision (b) of Section 14166.20.

(4) Any amounts remaining after final reconciliation of all amounts due at the end of a project year shall remain available for payments in accordance with this section in the next project year.

(c) Subdivision (b) shall not apply to federal safety net care pool funds claimed and received for services rendered under the health care coverage initiative identified under paragraph (2) of subdivision (e) of Section 14166.9, which shall be paid in accordance with Part 3.5 (commencing with Section 15900) and under paragraphs 43 and 44 of the Special Terms and Conditions for the demonstration project.

SEC. 8. Section 14166.23 of the Welfare and Institutions Code is amended to read:

14166.23. (a) For purposes of this section, “distressed hospitals” are hospitals that participate in selective providers contracting under Article 2.6 (commencing with Section 14081) and that meet all of the following requirements, as determined by the California Medical Assistance Commission in its discretion:

(1) The hospital serves a substantial volume of Medi-Cal patients measured either as a percentage of the hospital’s overall volume or by the total volume of Medi-Cal services furnished by the hospital.

(2) The hospital is a critical component of the Medi-Cal program’s health care delivery system, such that the Medi-Cal health care delivery system would be significantly disrupted if the hospital reduced its Medi-Cal services or no longer participated in the Medi-Cal program.

(3) The hospital is facing a significant financial hardship that may impair its ability to continue its range of services for the Medi-Cal program.

(b) The Distressed Hospital Fund is hereby created in the State Treasury.

(c) Notwithstanding Section 13340 of the Government Code, the fund shall be continuously appropriated to the department for the purposes specified in this section.

(d) Except as otherwise limited by this section, the fund shall consist of all of the following:

(1) The amounts transferred to the fund pursuant to subdivision (e).

(2) Any additional amounts appropriated to the fund by the Legislature.

1 (3) Any interest that accrues on amounts in the fund.

2 (e) The following amounts shall be transferred to the fund from
3 the prior supplemental funds at the beginning of each project year.

4 (1) Twenty percent of the amount in the prior supplemental
5 funds on the effective date of this article, less any and all payments
6 for services rendered prior to July 1, 2005, but paid after July 1,
7 2005.

8 (2) Interest that accrued on the prior supplemental funds during
9 the prior project year.

10 (f) No distributions, payments, transfers, or disbursements shall
11 be made from the prior supplemental funds except as set forth in
12 this section.

13 (g) Moneys in the fund shall be used as the source for the
14 nonfederal share of payments to hospitals under this section.

15 (h) Except as otherwise provided in subdivision (j), moneys
16 shall be applied to obtain federal financial participation to the
17 extent available in accordance with customary Medi-Cal accounting
18 procedures for purposes of payments under this section.
19 Distributions from the fund shall be supplemental to any other
20 Medi-Cal reimbursement received by the hospitals, including
21 amounts that hospitals receive under the selective provider
22 contracting program, and shall not affect provider rates paid under
23 the selective provider contracting program.

24 (i) Subject to subdivision (j), all amounts that are in the fund
25 shall be available for negotiation by the California Medical
26 Assistance Commission, along with corresponding federal financial
27 participation, for additional payments to distressed hospitals. These
28 amounts shall be paid under contracts entered into by the
29 department and negotiated by the California Medical Assistance
30 Commission pursuant to Article 2.6 (commencing with Section
31 14081), provided that any amounts payable to a designated public
32 hospital shall be paid in the form of a direct grant of state general
33 funds pursuant to a contract negotiated by the California Medical
34 Assistance Commission. The commission shall not consider the
35 lack of federal financial participation in direct grants to designated
36 public hospitals in determining which hospital may receive funding
37 under this section.

38 (j) After April 1, 2007, and each April 1 thereafter, in the event
39 that funding under this article is insufficient to meet the adjusted
40 aggregate baseline funding amounts for a particular project year,

1 as determined in subdivision (d) of Section 14166.5, and in
2 Sections 14166.13 and 14166.18, funds under this section shall
3 first be available for use under contracts negotiated by the
4 California Medical Assistance Commission for hospitals
5 contracting under the selective provider contracting program under
6 Article 2.6 (commencing with Section 14081) in an effort to
7 address the insufficiency, to the extent funds under this section
8 are available on or after April 1 for the particular project year.

9 (k) Any funds remaining in the fund at the end of a fiscal year
10 shall be carried forward for use in the following fiscal year.

11 SEC. 9. Section 14166.25 is added to the Welfare and
12 Institutions Code, to read:

13 14166.25. (a) The Legislature finds and declares all of the
14 following:

15 (1) In light of the closure of Los Angeles County Martin Luther
16 King, Jr.-Harbor Hospital, there is a need to ensure adequate
17 funding for continued health care services to the uninsured
18 population of South Los Angeles, including, but not limited to,
19 the Cities of Compton, Lynwood, South Gate, Huntington Park,
20 the southern and central portions of the Cities of Los Angeles,
21 Inglewood, Gardena, and surrounding unincorporated communities.

22 (2) The state, the County of Los Angeles, and all health care
23 providers in the South Los Angeles community must work together
24 to meet the health care needs of the community until the critical
25 hospital services previously provided by Los Angeles County
26 Martin Luther King, Jr. - Harbor Hospital can be restored at this
27 location.

28 (3) The Medi-Cal Hospital/Uninsured Care Demonstration
29 Project provides a critical source of funding for services to
30 low-income communities throughout the state that are provided
31 by California's safety net hospital systems.

32 (4) The special funding provided in this section is predicated
33 on the express intent of the County of Los Angeles to restore
34 hospital services on the hospital campus, to be operated by either
35 a private or public entity. The county has undertaken a specific
36 plan to do so as quickly as possible.

37 (5) The Legislature anticipates that demonstration project funds
38 will be available to help fund the reopened hospital. The nature
39 and amount of that funding cannot be determined until the new
40 structure and operation of the hospital is known.

1 (6) As an interim response to the specific circumstances caused
2 by the closure of this hospital, and until hospital services can be
3 restored at this location, a special fund will be created to receive
4 demonstration project funding to be available to the County of Los
5 Angeles for expenditures to preserve health care services for the
6 uninsured population of South Los Angeles, as defined above.

7 (b) The South Los Angeles Medical Services Preservation Fund
8 is hereby created in the State Treasury. Notwithstanding Section
9 13340 of the Government Code, the fund shall be continuously
10 appropriated to the department for the purposes specified in this
11 section.

12 (c) Subject to the conditions in this section, a maximum amount
13 of one hundred million dollars (\$100,000,000) of the safety net
14 care pool funds claimed and received by the state that are based
15 on the certified public expenditures of the County of Los Angeles
16 or its designated public hospitals shall be deposited in the South
17 Los Angeles Medical Services Preservation Fund for each of the
18 three project years, 2007–08, 2008–09, and 2009–10.

19 (1) In the event that the director determines that any amount is
20 due to the County of Los Angeles under the demonstration project
21 for services rendered during the portion of a project year during
22 which Los Angeles County Martin Luther King, Jr. - Harbor
23 Hospital was operational, the amount deposited in the fund under
24 this subdivision shall be reduced by a percentage determined by
25 reducing 100 percent by the percentage reduction in the hospital's
26 baseline as determined under subdivision (c) of Section 14166.5
27 for that project year.

28 (2) If in the aggregate, the federal medical assistance percentage
29 of the certified public expenditures reported by the County of Los
30 Angeles and its designated public hospitals under Section 14166.8,
31 excluding those certified public expenditures reported under
32 paragraph (1) of subdivision (b) of Section 14166.8, in any project
33 year do not exceed the amounts paid or payable to the county and
34 its designated public hospitals in the aggregate under Section
35 14166.6, excluding disproportionate share payments funded with
36 intergovernmental transfers, Section 14166.7, and subdivision (d)
37 for the same project year, then the amount deposited in the fund
38 under subdivision (c) shall be reduced by the amount of excess
39 payments over the federal medical assistance percentage of certified
40 public expenditures.

(d) Moneys in the South Los Angeles Medical Services Preservation Fund shall be distributed to the County of Los Angeles in amounts equal to the costs incurred by the county, including indirect costs associated with adequately maintaining the hospital building so that it can be reopened, in providing, or compensating other providers for, health services rendered to the uninsured population of South Los Angeles, including all of the following:

(1) Services provided in the multiservice ambulatory care center operating on the former Los Angeles County Martin Luther King, Jr.-Harbor Hospital campus.

(2) Services rendered to patients in beds at other designated public hospitals operated by the County of Los Angeles that have been opened specifically for the purpose of serving patients that would have been served by the former Los Angeles County Martin Luther King, Jr. - Harbor Hospital.

(3) Services rendered in the county operated health center and the comprehensive health center formerly operated under Los Angeles County Martin Luther King, Jr.-Harbor Hospital.

(4) Services rendered to the uninsured by other public or private health care providers for which the County of Los Angeles has agreed to pay under a contract with the provider as a result of the downsizing or closure of Los Angeles County Martin Luther King, Jr.-Harbor Hospital.

(e) As a condition for receiving distributions from the South Los Angeles Medical Services Preservation Fund in any project year, the County of Los Angeles shall assure the director that it will not reduce the county's ongoing, systemwide financial contribution to the State Department of Health Care Services during that project year for health care services to the uninsured.

(f) No funds shall be available from the South Los Angeles Medical Services Preservation Fund for services rendered when a hospital on the former Los Angeles County Martin Luther King, Jr.-Harbor Hospital campus is certified for Medi-Cal participation.

(g) If the full amount of the South Los Angeles Medical Services Preservation Fund for any project year is not distributed to the County of Los Angeles, based on the cost of services identified in subdivision (d) that were rendered during that project year, any remaining amounts shall revert to the Health Care Support Fund established pursuant to Section 14166.21.

1 (h) To the extent that the County of Los Angeles receives
2 distributions from the South Los Angeles Medical Services
3 Preservation Fund based on the cost of services rendered by county
4 operated providers, or based on payments made to private providers
5 for services rendered to the uninsured population of South Los
6 Angeles, the costs of the services rendered shall not be considered
7 for purposes of any of the following determinations with respect
8 to either the county or the private provider:

9 (1) Medi-Cal payments under the selective provider contracting
10 program under Article 2.6 (commencing with Section 14081),
11 including payments to distressed hospitals under Section 14166.23.

12 (2) Baseline amounts, or adjustments thereto, under Section
13 14166.5, 14166.13, or 14166.18.

14 (3) Any other payment under Medi-Cal or other health care
15 program.

16 (i) This section shall be implemented only to the extent that the
17 director determines that it will not result in the loss of federal funds
18 under the demonstration project.

19 SEC. 10. Section 14166.25 of the Welfare and Institutions
20 Code is amended and renumbered to read:

21 14166.26. Unless this article is repealed pursuant to subdivision
22 (b) or (g) of Section 14166.2, this article shall become inoperative
23 on the date that the director executes a declaration, which shall be
24 retained by the director and provided to the fiscal and appropriate
25 policy committees of the Legislature, stating that the federal
26 demonstration project provided for in this article has been
27 terminated by the federal Centers for Medicare and Medicaid
28 Services, and shall, six months after the date the declaration is
29 executed, be repealed.